

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date			Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Oakfield
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Oakfield, Michigan's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$410,244 (23 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$140,145 and \$270,099, respectively.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$314,440, which represents 43 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Because this is the first year of this reporting format, a comparative analysis of the basic financial statements was not practicable. Comparative analyses of the basic financial statements will be made in subsequent years.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township establishes other funds to control and manage money for particular purposes (like cemetery operations) or to show that it is properly using certain taxes and other revenues.

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focuses on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
- **Proprietary funds.** Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activity, but provides more detail and additional information, such as cash flows.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial analysis of the government as a whole

Net assets. The Township's *combined* net assets increased by 44 percent between March 31, 2004 and 2005. While the Township reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Current assets	\$ 1,107,424	\$ 147,832	\$ 1,255,256
Noncurrent assets	<u>665,299</u>	<u>424,896</u>	<u>1,090,195</u>
Total assets	<u>1,772,723</u>	<u>572,728</u>	<u>2,345,451</u>
Current liabilities	<u>146,477</u>	<u>2,600</u>	<u>149,077</u>
Net assets:			
Invested in capital assets	665,299	278,627	943,926
Restricted	33,538	260,000	293,538
Unrestricted	<u>927,409</u>	<u>31,501</u>	<u>958,910</u>
Total net assets	<u>\$ 1,626,246</u>	<u>\$ 570,128</u>	<u>\$ 2,196,374</u>

Changes in net assets. The Township's total revenues for fiscal year 2005 were \$1,146,394. Over 30 percent of the Township's revenues come from state shared revenue while only 14 percent comes from property taxes.

The total cost of all the Township's programs for fiscal year 2005, covering a wide range of services, totaled \$736,150. More than 35 percent of the Township's costs relate to general government services. Public works costs represented 33 percent of all costs during the year.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<i>Govern- mental activities</i>	<i>Per- cent</i>	<i>Business- type activities</i>	<i>Per- cent</i>	<i>Totals</i>	<i>Per- cent</i>
Program revenues:						
Charges for services	\$ 153,157	19%	\$ 39,790	13%	\$ 192,947	17%
Operating grants	159,537	19%	-	0%	159,537	14%
Capital contributions	-	0%	270,000	87%	270,000	24%
General revenues:						
Property taxes	162,762	19%	-	0%	162,762	14%
State shared revenue	345,747	41%	-	0%	345,747	30%
Other	<u>15,015</u>	2%	<u>386</u>	0%	<u>15,401</u>	1%
Total revenues	<u>836,218</u>	100%	<u>310,176</u>	100%	<u>1,146,394</u>	100%
Expenses:						
Legislative	5,863	1%	-	0%	5,863	1%
General government	257,562	37%	-	0%	257,562	35%
Public safety	96,137	14%	-	0%	96,137	13%
Public works	239,502	34%	-	0%	239,502	33%
Community development	97,009	14%	-	0%	97,009	13%
Sewer	<u>-</u>	0%	<u>40,077</u>	100%	<u>40,077</u>	5%
Total expenses	<u>696,073</u>	100%	<u>40,077</u>	100%	<u>736,150</u>	100%
Increase in net assets	<u>\$ 140,145</u>		<u>\$ 270,099</u>		<u>\$ 410,244</u>	

Governmental activities

Governmental activities increased the Township's net assets by \$140,145. The key factor for this increase was the Township's continued investment in capital improvement projects which consisted of paving and improvements of roads in the Township.

The following table shows the costs of the Township's programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

The total cost of all governmental activities was \$696,073.

However, the amount that our taxpayers paid for these activities through general revenues was \$383,379. Some of the cost was paid by:

- Those who directly benefited from the programs (\$153,157), or
- The State subsidized certain programs with grants (\$159,537).

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Township paid for the \$383,379 "public benefit" portion with \$523,524 in property taxes and state shared revenue.

	<i>Total cost of services</i>	<i>Net cost of services</i>
General government	\$ 257,562	\$ 231,260
Public works	239,502	54,675
Public safety	96,137	96,137
Other	102,872	1,307
Total	\$ 696,073	\$ 383,379

Business-type activities

Business-type activities increased the Township's net assets by \$270,099. The key factors for this increase were:

- Approval of a special assessment district, to finance a capital project in the subsequent year, generated capital contributions, a nonoperating revenue, in the amount of \$260,000.
- Current charge rates of the Sewer Fund do not provide sufficient funds for current operating costs, resulting in a net operating loss in the Sewer Fund of about \$300.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of March 31, 2005, the Township's governmental funds reported combined ending fund balances of \$960,947, an increase of \$104,597 over last year's balances.

The General Fund experienced a decrease (\$51,863) in fund balance because the Board approved the transfer of more funds than in years past from the General Fund to the Capital Improvement Fund for future capital improvements.

The fund balance of the Capital Improvement Fund increased by \$153,776 reflecting excess amounts transferred in from General Fund in support of future expenditures.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$314,440, which represents 43 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 36 percent of the combined ending fund balances of the governmental funds.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$193,871, primarily due to the award of a scrap tire grant from the State of Michigan to clean up tires in an old junk yard located in the Township. At the time the original budget was approved, the Township had not received the scrap tire grant. The budgeted expenditures were increased by \$152,000 due to the costs that were incurred to clean up the tires.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounts to \$943,926 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, equipment, roads, and sewer facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$35,548, or 6 percent.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Land and improvements	\$ 24,406	\$ -	\$ 24,406
Buildings	156,178	-	156,178
Equipment	119,014	19,998	139,012
Vehicles	285,634	-	285,634
Shared road improvements	80,067	-	80,067
Sewer system	-	258,629	258,629
Total	<u>\$ 665,299</u>	<u>\$ 278,627</u>	<u>\$ 943,926</u>

The major capital asset event during the current fiscal year consisted of a road improvement project with costs of \$82,120.

A sewer construction project, with expected costs of \$260,000, will begin in the next fiscal year.

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

The Township had no debt at the beginning or the end of the current fiscal year.

Economic condition and outlook

The Township's General Fund budget for the next year projects total revenues of \$1,203,005 and total expenditures of \$1,097,205 which will leave \$105,800 of revenues that we did not spend. The Board intends to transfer the excess revenue from the General Fund to the Capital Improvement Fund for more road improvement projects. The economic state of Oakfield Township is very strong and we have taken the right steps to assure a strong economic future for Oakfield Township.

The Township's enterprise operations will benefit from the issuance of the special assessment bonds that will be used to upgrade the Township's sewer system.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Greg Dean, Supervisor
Township of Oakfield
10300 14 Mile Road
Rockford, MI 49341

Phone: (616) 754-5679

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Oakfield, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Oakfield, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township of Oakfield, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Oakfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Oakfield, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and the budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

May 18, 2005

BASIC FINANCIAL STATEMENTS

Township of Oakfield
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 510,255	\$ 109,162	\$ 619,417
Investments	424,869	-	424,869
Receivables (net)	<u>172,300</u>	<u>38,670</u>	<u>210,970</u>
Total current assets	<u>1,107,424</u>	<u>147,832</u>	<u>1,255,256</u>
Noncurrent assets:			
Receivables (net)	-	146,269	146,269
Capital assets (net of accumulated depreciation)	<u>665,299</u>	<u>278,627</u>	<u>943,926</u>
Total noncurrent assets	<u>665,299</u>	<u>424,896</u>	<u>1,090,195</u>
Total assets	<u>1,772,723</u>	<u>572,728</u>	<u>2,345,451</u>
LIABILITIES			
Current liabilities:			
Payables	48,347	2,600	50,947
Deferred revenue	<u>98,130</u>	<u>-</u>	<u>98,130</u>
Total current liabilities	<u>146,477</u>	<u>2,600</u>	<u>149,077</u>
NET ASSETS			
Invested in capital assets	665,299	278,627	943,926
Restricted for debt service			
Public works	33,538	-	33,538
Debt service	-	260,000	260,000
Unrestricted	<u>927,409</u>	<u>31,501</u>	<u>958,910</u>
Total net assets	<u>\$ 1,626,246</u>	<u>\$ 570,128</u>	<u>\$ 2,196,374</u>

See notes to financial statements

Township of Oakfield
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 5,863	\$ -	\$ -	\$ -
General government	257,562	26,302	-	-
Public safety	96,137	-	-	-
Public works	239,502	25,290	159,537	-
Community and economic development	<u>97,009</u>	<u>101,565</u>	<u>-</u>	<u>-</u>
Total governmental activities	696,073	153,157	159,537	-
Business-type activity - sewer	<u>40,077</u>	<u>39,790</u>	<u>-</u>	<u>270,000</u>
Total primary government	<u>\$ 736,150</u>	<u>\$ 192,947</u>	<u>\$ 159,537</u>	<u>\$ 270,000</u>

General revenues:

Property taxes
State shared revenue
Interest income
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expense) revenue and changes in net assets***Primary government***

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (5,863)	\$ -	\$ (5,863)
(231,260)	-	(231,260)
(96,137)	-	(96,137)
(54,675)	-	(54,675)
<u>4,556</u>	<u>-</u>	<u>4,556</u>
(383,379)	-	(383,379)
<u>-</u>	<u>269,713</u>	<u>269,713</u>
<u>(383,379)</u>	<u>269,713</u>	<u>(113,666)</u>
162,762	-	162,762
345,747	-	345,747
13,980	386	14,366
<u>1,035</u>	<u>-</u>	<u>1,035</u>
<u>523,524</u>	<u>386</u>	<u>523,910</u>
140,145	270,099	410,244
<u>1,486,101</u>	<u>300,029</u>	<u>1,786,130</u>
<u>\$ 1,626,246</u>	<u>\$ 570,128</u>	<u>\$ 2,196,374</u>

See notes to the financial statements

Township of Oakfield
BALANCE SHEET - governmental funds
March 31, 2005

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Total</u>
	<u>General</u>	<u>Capital Improvement</u>	<u>Cemetery</u>	<u>governmental funds</u>
ASSETS				
Cash	\$ 158,650	\$ 351,605	\$ -	\$ 510,255
Investments	163,505	227,776	33,588	424,869
Receivables	172,300	-	-	172,300
Total assets	<u>\$ 494,455</u>	<u>\$ 579,381</u>	<u>\$ 33,588</u>	<u>\$ 1,107,424</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 48,347	\$ -	\$ -	\$ 48,347
Deferred revenue	98,130	-	-	98,130
Total liabilities	<u>146,477</u>	<u>-</u>	<u>-</u>	<u>146,477</u>
Fund balances:				
Reserved for public works	33,538	-	-	33,538
Unreserved, undesignated:	314,440	579,381	33,588	927,409
Total fund balances	<u>347,978</u>	<u>579,381</u>	<u>33,588</u>	<u>960,947</u>
Total liabilities and fund balances	<u>\$ 494,455</u>	<u>\$ 579,381</u>	<u>\$ 33,588</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	<u>665,299</u>
Net assets of <i>governmental activities</i>	<u>\$ 1,626,246</u>

See notes to financial statements

Township of Oakfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2005

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Total</u>
	<u>General</u>	<u>Capital Improvement</u>	<u>Cemetery</u>	<u>governmental funds</u>
REVENUES				
Taxes	\$ 162,762	\$ -	\$ -	\$ 162,762
Licenses and permits	101,681	-	-	101,681
State grants	505,284	-	-	505,284
Charges for services	5,341	-	2,400	7,741
Interest and rentals	23,847	6,280	598	30,725
Other	27,640	385	-	28,025
Total revenues	<u>826,555</u>	<u>6,665</u>	<u>2,998</u>	<u>836,218</u>
EXPENDITURES				
Legislative	5,863	-	-	5,863
General government	236,760	-	-	236,760
Public safety	61,540	-	-	61,540
Public works	319,569	-	-	319,569
Community and economic development	97,009	-	-	97,009
Capital outlay	10,880	-	-	10,880
Total expenditures	<u>731,621</u>	<u>-</u>	<u>-</u>	<u>731,621</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>94,934</u>	<u>6,665</u>	<u>2,998</u>	<u>104,597</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	314	147,111	-	147,425
Transfers out	(147,111)	-	(314)	(147,425)
Total other sources (uses)	<u>(146,797)</u>	<u>147,111</u>	<u>(314)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(51,863)</u>	<u>153,776</u>	<u>2,684</u>	<u>104,597</u>
FUND BALANCES - BEGINNING	<u>399,841</u>	<u>425,605</u>	<u>30,904</u>	<u>856,350</u>
FUND BALANCES - ENDING	<u>\$ 347,978</u>	<u>\$ 579,381</u>	<u>\$ 33,588</u>	<u>\$ 960,947</u>

See notes to financial statements

Township of Oakfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2005

	<i>Total governmental funds</i>
	<hr/>
Net change in fund balances - total governmental funds	\$ 104,597
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	82,120
Provision for depreciation	<u>(46,572)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 140,145</u>

See notes to financial statements

Township of Oakfield
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2005

	<u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash	\$ 109,162
Receivables (net)	<u>38,670</u>
Total current assets	<u>147,832</u>
Noncurrent assets:	
Receivables (net)	146,269
Capital assets (net of accumulated depreciation)	<u>278,627</u>
Total noncurrent assets	<u>424,896</u>
Total assets	<u>572,728</u>
 LIABILITIES	
Payables	<u>2,600</u>
 NET ASSETS	
Invested in capital assets	278,627
Restricted for debt service	260,000
Unrestricted	<u>31,501</u>
Total net assets	<u>\$ 570,128</u>

See notes to financial statements

Township of Oakfield
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - *proprietary fund*
Year ended March 31, 2005

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 39,790
OPERATING EXPENSES	
Operation and maintenance	32,027
Depreciation	<u>8,050</u>
Total operating expenses	<u>40,077</u>
OPERATING LOSS	<u>(287)</u>
NONOPERATING REVENUES	
Capital contributions	270,000
Interest	<u>386</u>
Total nonoperating revenues	<u>270,386</u>
CHANGE IN NET ASSETS	270,099
NET ASSETS - BEGINNING	<u>300,029</u>
NET ASSETS - ENDING	<u><u>\$ 570,128</u></u>

See notes to financial statements

Township of Oakfield
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2005

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 45,915
Payments to suppliers	<u>(29,427)</u>
Net cash provided by operating activities	<u>16,488</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of special assessment principal	77,731
Capital contributions	10,000
Purchase of capital assets	<u>(52,886)</u>
Net cash provided by capital and related financing activities	<u>34,845</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>386</u>
NET INCREASE IN CASH	51,719
CASH - BEGINNING	<u>57,443</u>
CASH - ENDING	<u><u>\$ 109,162</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (287)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	8,050
Change in assets and liabilities:	
Receivables, net	6,125
Payables	<u>2,600</u>
Net cash provided by operating activities	<u><u>\$ 16,488</u></u>

See notes to financial statements

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Oakfield, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Capital Improvement Fund accounts for the use of unrestricted revenues from the General Fund to finance the costs of capital improvements, primarily road construction costs.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Equipment	5 - 20 years
Vehicles	20 years
Infrastructure	20 years

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represents tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of March 1 on property values assessed as of March 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - During the year ended March 31, 2005, the Township incurred expenditures that were significantly in excess of the amount appropriated relative to transfers from the General Fund to the Capital Improvement Fund. The over expenditure, in the amount of \$76,111, was funded by available fund balance in the General Fund.

NOTE 3 - CASH AND INVESTMENTS:

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Deposits	\$ 506,715	\$ 109,162	\$ 615,877
Investments	424,868	-	424,868
Cash on hand	<u>600</u>	<u>-</u>	<u>600</u>
Total cash	<u>\$ 932,183</u>	<u>\$ 109,162</u>	<u>\$ 1,041,345</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township had deposits with a carrying amount of \$618,817 and a bank balance of \$647,900. Of the bank balance, \$200,000 is covered by federal depository insurance and \$447,900 is uninsured.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute, and f) investment pools organized under the local government investment pool act. At March 31, 2005, the Township's investments consisted of holdings, in the amount of \$424,869, in the Kent County Investment Pool, a non-risk categorized, qualifying investment pool. The investments are recorded at cost, which approximates fair market value.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At March 31, 2005, the Township's receivables were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	<u>\$ 109,472</u>	<u>\$ 9,412</u>	<u>\$ 53,416</u>	<u>\$ -</u>	<u>\$ 172,300</u>
Business-type activities:					
Sewer Fund	<u>\$ -</u>	<u>\$ 2,670</u>	<u>\$ -</u>	<u>\$ 182,269</u>	<u>\$ 184,939</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,269</u>	<u>\$ 146,269</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 15,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,906</u>
Capital assets being depreciated:				
Land and improvements	17,000	-	-	17,000
Buildings	249,882	-	-	249,882
Equipment	219,693	-	-	219,693
Vehicles	507,417	-	-	507,417
Shared road improvements	-	82,120	-	82,120
Total capital assets being depreciated	<u>993,992</u>	<u>82,120</u>	<u>-</u>	<u>1,076,112</u>
Less accumulated depreciation for:				
Land and improvements	7,650	850	-	8,500
Buildings	88,726	4,978	-	93,704
Equipment	87,360	13,319	-	100,679
Vehicles	196,411	25,372	-	221,783
Shared road improvements	-	2,053	-	2,053
Total accumulated depreciation	<u>380,147</u>	<u>46,572</u>	<u>-</u>	<u>426,719</u>
Net capital assets being depreciated	<u>613,845</u>	<u>35,548</u>	<u>-</u>	<u>649,393</u>
Total governmental activities capital assets, net	<u>\$ 629,751</u>	<u>\$ 35,548</u>	<u>\$ -</u>	<u>\$ 665,299</u>

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 350,108	\$ 31,838	\$ -	\$ 381,946
Equipment	<u>-</u>	<u>21,048</u>	<u>-</u>	<u>21,048</u>
Total capital assets being depreciated	<u>350,108</u>	<u>52,886</u>	<u>-</u>	<u>402,994</u>
Less accumulated depreciation for:				
Sewer system	116,317	7,000	-	123,317
Equipment	<u>-</u>	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Total accumulated depreciation	<u>116,317</u>	<u>8,050</u>	<u>-</u>	<u>124,367</u>
Net capital assets being depreciated	<u>233,791</u>	<u>44,836</u>	<u>-</u>	<u>278,627</u>
Total business-type activities capital assets, net	<u>\$ 233,791</u>	<u>\$ 44,836</u>	<u>\$ -</u>	<u>\$ 278,627</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 18,018
Public safety	26,501
Public works	<u>2,053</u>
Total governmental activities	<u>\$ 46,572</u>

NOTE 6 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Capital Improvement	\$ 147,111	General Fund	\$ 147,111
General Fund	<u>314</u>	Cemetery Fund	<u>314</u>
Total	<u>\$ 147,425</u>	Total	<u>\$ 147,425</u>

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND TRANSFERS (Continued):

The transfer to the Capital Improvement Fund represents unrestricted revenues from the General Fund to finance road construction and maintenance costs.

NOTE 7 - PAYABLES:

At March 31, 2005, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 41,476	\$ 6,871	\$ 48,347
Business-type activities:			
Sewer Fund	\$ 2,600	\$ -	\$ 2,600

NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2005, is as follows:

Revenues	\$ 91,494
Expenses	<u>(93,407)</u>
Deficiency of revenues over expenses	<u>\$ (1,913)</u>

NOTE 10 - CONSTRUCTION COMMITMENT:

At March 31, 2005, the Township had authorized contracts totaling \$260,000 for sewer system improvements. The project will be financed through the issuance of bonds in the following fiscal year.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported (General and special revenue funds)	\$ 856,350
Capitalization of capital assets, net of accumulated depreciation, not previously reported	<u>629,751</u>
Net assets, as restated	<u>\$ 1,486,101</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Oakfield
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 148,840	\$ 149,440	\$ 162,762	\$ 13,322
Licenses and permits	94,100	94,600	101,681	7,081
State grants:				
State shared revenue	320,000	320,000	345,747	25,747
Other	-	160,672	159,537	(1,135)
Charges for services	3,600	5,216	5,341	125
Interest and rentals	26,500	25,000	23,847	(1,153)
Other:				
Special assessment	-	28,000	18,100	(9,900)
Miscellaneous	11,100	15,800	9,540	(6,260)
Total revenues	<u>604,140</u>	<u>798,728</u>	<u>826,555</u>	<u>27,827</u>
EXPENDITURES				
Legislative	<u>9,400</u>	<u>9,400</u>	<u>5,863</u>	<u>3,537</u>
General government:				
Supervisor	19,000	19,000	18,114	886
Elections	8,500	14,064	8,014	6,050
Assessor	41,150	41,150	31,581	9,569
Clerk	20,500	20,500	20,336	164
Treasurer	22,600	22,600	21,495	1,105
Hall and grounds	59,894	54,381	38,701	15,680
Cemetery	14,490	15,565	11,603	3,962
Other	93,269	102,469	86,916	15,553
Total general government	<u>279,403</u>	<u>289,729</u>	<u>236,760</u>	<u>52,969</u>
Public safety - fire protection	<u>71,715</u>	<u>64,986</u>	<u>61,540</u>	<u>3,446</u>
Public works:				
Road construction and maintenance	215,000	223,672	140,940	82,732
Scrap tire cleanup	-	152,000	152,000	-
Weed control	28,000	28,000	26,629	1,371
Total public works	<u>243,000</u>	<u>403,672</u>	<u>319,569</u>	<u>84,103</u>

Township of Oakfield

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 100,525</u>	<u>\$ 111,514</u>	<u>\$ 97,009</u>	<u>\$ 14,505</u>
Capital outlay	<u>-</u>	<u>18,613</u>	<u>10,880</u>	<u>7,733</u>
Total expenditures	<u>704,043</u>	<u>897,914</u>	<u>731,621</u>	<u>166,293</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(99,903)</u>	<u>(99,186)</u>	<u>94,934</u>	<u>194,120</u>
OTHER FINANCING SOURCES (USES)				
Cemetery Fund	<u>4,340</u>	<u>4,340</u>	<u>314</u>	<u>(4,026)</u>
Capital improvement Fund	<u>169,000</u>	<u>(71,000)</u>	<u>(147,111)</u>	<u>(76,111)</u>
Total other financing sources (uses)	<u>173,340</u>	<u>(66,660)</u>	<u>(146,797)</u>	<u>(80,137)</u>
NET CHANGE IN FUND BALANCES	<u>73,437</u>	<u>(165,846)</u>	<u>(51,863)</u>	<u>113,983</u>
FUND BALANCES - BEGINNING	<u>399,841</u>	<u>399,841</u>	<u>399,841</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 473,278</u>	<u>\$ 233,995</u>	<u>\$ 347,978</u>	<u>\$ 113,983</u>

Township of Oakfield**BUDGETARY COMPARISON SCHEDULE - Capital Improvement Fund**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 1,250	\$ 1,250	\$ 6,280	\$ 5,030
Other - donation	<u>-</u>	<u>-</u>	<u>385</u>	<u>385</u>
Total revenues	1,250	1,250	6,665	5,415
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>(169,000)</u>	<u>71,000</u>	<u>147,111</u>	<u>76,111</u>
NET CHANGE IN FUND BALANCES	(167,750)	72,250	153,776	81,526
FUND BALANCE - BEGINNING	<u>425,605</u>	<u>425,605</u>	<u>425,605</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 257,855</u>	<u>\$ 497,855</u>	<u>\$ 579,381</u>	<u>\$ 81,526</u>